

RECONSTRUCTION IN CHINA

by

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INTRODUCTION

IT IS the spectacular political aspect of the Chinese situation that usually catches the Western eye. Behind the political kaleidoscope, however, more basic economic and intellectual forces are at work molding what will in fact be the new China. City walls are torn down to make way for modern highways, even while aviation and radio are transforming older methods of communication; the ancient guilds are disintegrated by the cheaper products of Western industry, and a labor proletariat develops in the cities; a literary revolution scraps an elegant classical language, and thousands of illiterates are taught to read and write in the tongue they speak. These and similar transformations in all phases of Chinese life are taking place in spite of political instability.

It is upon the Nanking government's contributions in this sphere that a judgment as to the adequacy of its reconstruction achievements must be based. Its undoubted contributions have been made at the cost of the alienation of powerful military leaders, and the ruthless suppression of the radical labor, peasant, and student elements. Much of the driving spirit and sacrificial zeal of the revolutionary years 1926-1927 has been dissipated with the failure of the various nationalist groups to cooperate on a united program. It is significant that Mrs. Sun Yat-sen, herself a member of the Soong family that controls the present régime, maintains an intransigent opposition to the Nanking dictatorship. She writes: "I have noticed nothing but the wanton killing of tens of thousands of revolutionary youths who would one day replace the rotten officials. Nothing but the hopeless misery of the people, nothing but the selfish struggling

of the militarists for power, nothing but extortionate taxes upon the already starving masses. . . . I do not demand the absurd, but I do demand that you all stop raising your standard of living." While there are undoubtedly other things to be noticed, yet Mrs. Sun gives voice to the opinion prevailing among large numbers of politically conscious Chinese that the reconstruction achievements of Nanking herein set forth must be buttressed by a more thoroughgoing application of the social principles of Sun Yat-sen.

FAMINE

Nanking faces its most urgent reconstruction problem in the famine now prevailing in the northwest. During the summer of 1929 an American Red Cross delegation, headed by Mr. Ernest P. Bicknell, investigated conditions in China's famine areas. The preamble to the report drawn up by this delegation asserts that "the failure of food supply was not primarily due to natural causes." The body of the report then enumerates seven responsible causes: continued civil strife, paralysis of transportation facilities, ubiquitous and unchecked banditry, excessive taxation, lack of highways and other means of communication, unparalleled overpopulation, and natural causes, such as drought, floods and locusts. Acting on this report, the central committee of the American Red Cross on September 27 decided against entering upon famine relief in China.¹ This decision called forth a statement on November 6 by the China International Famine Relief Commission, long active in famine prevention in China, giving its reasons for

1. Cf. *The Week in China*, October 26, 1929, p. 875-88 for text. Cf. the *New York Times*, September 28, 1929, for full summary.

continued appeal to the American people for relief funds.² The commission's statement questions the emphasis of the Red Cross report upon the political rather than the natural causes of the famine, as well as its minimizing of the urgency of the need for relief.

The statement reads in part:

"In its actual administration of relief, the China International Famine Relief Commission has received the cooperation of the Chinese authorities to the fullest extent. In spite of the disturbed conditions, the relief work has gone forward without interference by bandits or others. The total losses even indirectly chargeable to the disturbed conditions have amounted to less than Mex. \$800 (Gold \$400) in a total of relief supplies and money distributed of over

Mex. \$2,000,000 (Gold \$1,000,000). . . . The Red Cross delegation's report speaks of the rains having come in part of the famine area, and of the consequent lessening of the famine territory. Unfortunately, the delegation's report did not refer to the continuation of the drought and the floods and early frosts in the rest of the area, and the consequent increase in the severity of the need there. The territory still in large parts without adequate crops is approximately 450,000 square miles in extent. Its population is approximately 30,000,000. Of these people, a large proportion are almost or quite utterly destitute, and will remain so except for relief from outside at least until late in June, 1930. In area and number of people affected; even what remains of the present famine is a much more serious catastrophe than the famine of 1920-21, for relieving which the American people gave so generously."³

FINANCE

(All figures in Mexican dollars, averaging 50 cents gold, unless otherwise noted.)

The proposals of the National Financial Conference,⁴ convened at Nanking by the National Ministry of Finance on July 1, 1928, were adopted in August by the Nanking government and embodied in the program of the Ministry of Finance for the fiscal year of 1928. Its chief points called for (1) improvement of national credit by continued payment of the secured domestic and foreign loans of previous Peking administrations, and consolidation of the unsecured loans after investigation by a Loan Readjustment Commission; (2) improvement of taxation by the preparation of a new national tariff schedule to go into effect January 1, 1929, and by the institution of a national consumption tax whose proceeds were to be remitted to the provinces by the Minister of Finance in return for the abolition of all internal transit taxes (*likin*) before the end of December; (3) adoption of a national budget, unification of finances, and limitation of the army to 500,000 men with an annual military expenditure of \$192,000,000; (4) establishment of a sound

banking system, and reform of the currency. Since the formulation of this comprehensive program, the Nanking government has partially succeeded in putting into effect these vital measures of financial reconstruction.

PUBLIC DEBTS

A complete and accurate statement of China's public debts is a practical impossibility. The country's national obligations have been accumulating since the downfall of the Manchu régime, until they now form a complicated web of secured and unsecured loans. A recent estimate placed China's total foreign obligations at \$2,056,555,000.⁵ China's domestic obligations, outstanding on September 1, 1929, totalled another \$505,406,981.⁶ These sums represent the secured public debts of China's central governments contracted over the period since

5. Cf. *China Monthly Trade Report* (U. S. Department of Commerce), September 1929, p. 10. The loans were distributed as follows:

Japan	\$511,824,000
Great Britain	461,505,000
Russia	290,606,000
France	231,488,000
Germany	179,281,000
United States	127,260,000
Italy	123,013,000
Belgium	108,813,000
Netherlands	16,679,000
Denmark	4,162,000
Other nations	1,925,000
Total	\$2,056,555,000

6. Of this sum, \$207,077,926 was contracted by previous Peking administrations, and \$289,829,055 (in addition to \$8,500,000 on special municipal issues) by the present Nanking government. Cf. *The Far Eastern Review*, September 1929, p. 397-400.

2. Cf. *The China Weekly Review*, November 23, 1929, p. 445-46 for text.

3. Cf. also the *New York Herald Tribune*, October 6, 1929, for a refutation of the Red Cross report, issued by Dr. J. S. Burgess, Professor of Sociology at Yenching University. Dr. Burgess points out that despite the meagre amount subscribed in America, the China International Famine Relief Commission has with this money afforded relief to several hundred thousand Chinese at an average cost of sixty cents per month per person.

4. Cf. *Chinese Economic Journal*, September 1928, p. 763-73

the Boxer Indemnity was levied in 1901; they do not include unsecured loans, or loans separately negotiated by the provinces.

China's foreign debts were incurred by the Manchu government and succeeding Peking governments. The secured foreign obligations, including the Boxer Indemnity, are for the most part served by the revenues of the Chinese Maritime Customs, an institution largely administered by foreigners under the supervision of the Chinese Ministry of Finance. In August 1929 Inspector-General F. W. Maze of the Customs Service announced that the treaty ports throughout China were regularly remitting their total customs revenues into his hands at Shanghai. Here the funds were first applied to the service of the loans secured on the customs, and the balances then held for disposal according to the order of the Minister of Finance of the Nanking government.⁷

A number of foreign loans secured on the salt tax and other internal revenues have fallen into arrears during the last two or three years. As a result of reforms effected in the Salt Gabelle by the Ministry of Finance, the Nanking government has recently begun to meet the regular payments falling due on the salt loans; and on September 18 the Minister of Finance, Mr. T. V. Soong, announced that the arrears on the Anglo-French Loan (1908), the Hukuang Railway Loan (1911), and the Crisp Loan (1912) would be made up in accordance with a definite schedule of payments.⁸

Various unsecured foreign loans, the total amount of which is in dispute, have in the past caused much international controversy. In particular China disputes the majority of the so-called Nishihara loans, secretly negotiated in 1918 without adequate security by a corrupt Chinese government. These loans were supplied by a number of Japanese banks backed by the Japanese government.⁹ The Nanking government has in principle recognized the unsecured loans of previous

Chinese governments, while reserving the right to investigate each case on its merits and thereupon determine the proper steps for liquidation.

Similar problems are raised by China's domestic loans contracted by various Peking administrations. The majority of these loans are adequately secured, and payments are being regularly met by the Nanking government. Since 1922, however, payments on a number of these internal issues have fallen into arrears.¹⁰ The amount of the unsecured domestic loans is in dispute, and the readjustment of these obligations must await further investigation.

In the handling of its own domestic loans, contracted since May 1927, the Nanking government has scored one of its outstanding successes. These loans have been secured chiefly on the increased customs duties,¹¹ the income from which is paid into a sinking fund controlled by a Board of Trustees largely consisting of responsible Chinese business men. The board gives monthly notice to the press of the respective amounts of sinking funds received and paid, and also publishes a quarterly statement of the findings of a chartered accountant engaged to check up the amount of cash in the vaults, and to examine the bonds and accounts. The Nanking government has paid the operating expenses of the board, and adopted such measures as the board has recommended to make the sinking funds more secure. Not a cent of the principal or interest of these Nanking government domestic issues has yet been defaulted.¹²

A Loan Readjustment Commission for the domestic and foreign obligations of China was organized early in 1929, and held its first business meeting at Nanking on July 26. At this meeting the commission requested the various Ministries to nominate technical experts to the commission for the examination of their respective loans. At the same time the commission assumed custody of the

7. Cf. *Chinese Economic Bulletin*, August 10, 1929, p. 76. The customs revenue for 1929 totalled 152,000,000 taels (about \$78,584,000 gold). This is an increase of 82,000,000 taels (about \$42,394,000 gold) over 1928, and is due chiefly to the new Chinese tariff made effective on February 1, 1929. Cf. the *New York Times*, January 3, 1930.

8. Cf. *Far Eastern Information Bureau Bulletin*, October 15, 1929, p. 2-4, for statement by Mr. T. V. Soong.

9. Cf. A. Morgan Young, *Japan in Recent Times*, p. 99-102, for a list of these loans, and for details of their negotiation.

10. The total amount overdue on these issues on September 1, 1929 was \$92,666,256. Cf. *The Far Eastern Review*, September 1929, p. 398.

11. Upon the abolition of *likin*, certain foreign loans may claim a prior lien on these increased customs revenues. Cf. *Foreign Financial News* (U. S. Department of Commerce), Special Circular No. 322.

12. Cf. *China Monthly Trade Report*, July 1928, p. 18-20; also August 1929, p. 29-32.

funds in the Central Bank of China appropriated monthly by the Nanking government from the increased customs revenues for the specific purpose of debt readjustment.¹³

TAXATION

In a statement concerning taxation policy made in April 1928, Mr. T. V. Soong set forth the basic principles of the Nanking government's program and enumerated some of the difficulties encountered in putting it into effect:¹⁴

"Briefly stated, our policy requires: (1) taxation at the source; (2) evenness of taxation; (3) consolidation of taxes on the same commodity; (4) elimination of leakage; (5) strict accountability. . . .

"The first principle of taxation for any government is that a tax once levied on a commodity shall be applied without respect to persons. There have been many suggestions that we tax goods manufactured by Chinese companies at one rate and goods manufactured by foreign companies at another rate. The Ministry of Finance has resisted such proposals as inequitable, as harmful to trade, and as an impairment of the very object of the tax, which is to raise revenue for the government without destroying industry. . . .

"It is our object to eliminate leakage in the collection of taxes, to cut down the overhead, to reduce smuggling to a minimum, and to make it possible for the government to receive the whole of the amount collected from the people . . . Unfortunately, the vested interests, who know the ropes and exert local influence, are everywhere against us, while the younger men whom I am employing in my Ministry must gain experience and must create public confidence in themselves. Some are easily discouraged. Some slip back into the ways of the mandarin, because it is the line of least resistance. . . .

"We propose to consolidate taxes, so that throughout Nationalist territory . . . one tax will be paid on goods, and those goods will be able to travel everywhere without being taxed again. . . . That means that the Ministry will collect a single tax, and that the goods will pass freely on the Ministry's documents or stamps. . . .

"We believe that our policy is inherently sound and that if applied equitably and honestly, it will result in an increase in revenues, while, at the same time, trade will be relieved of vexatious impediments."

Owing to the local power of the regional military leaders, Mr. T. V. Soong has met with considerable difficulty in putting this progressive policy into effect during the year and a half that has elapsed since its announcement. Nevertheless, certain of the reforms have been accomplished. An effective consolidation of the cigarette and petroleum taxes has been achieved, largely owing to the cooperation of the large companies and the comparative lack of small companies. Reforms effected by the Ministry of Finance in the Salt Gabelle have made possible provisions for the repayment of certain defaulted foreign loans secured on the salt tax, as already stated.¹⁵ In September 1929 Mr. T. V. Soong stated that fixed quotas from each Salt Revenue District were being regularly remitted to the central offices of the Salt Gabelle.¹⁶ This achievement must be contrasted with conditions at the end of 1926, when almost the whole amount of the salt revenue was being retained by the local authorities.¹⁷

The reforms mentioned, however, must be considered as exceptions rather than as indications of general success. The attempt to abolish the internal transit dues (*likin*) in favor of national consumption taxes on a list of about twenty articles has largely failed. As a result, the Nanking government has been severely pressed for ready funds, the major part of its revenues during the past year having to be derived from the provinces immediately about Nanking, particularly Chekiang and Kiangsu. In addition, it has had to resort to the ruinous policy of mortgaging the surplus customs revenues accruing from the new tariff, by a series of domestic loans totalling over \$400,000,000. At the January disbandment conference, Mr. T. V. Soong stated that 45 per cent of the total receipts of the government for the half year from June to November 1928 came from such loans and bond flotations, while only 55 per cent were from revenues.¹⁸ These conditions resulted from the failure of the Nanking government to effect army limitation and financial unifi-

15. Cf. p. 432, footnote 8.

16. *Far Eastern Information Bureau Bulletin*, October 15, 1929, p. 3.

17. Cf. *China Year Book* (1928), p. 640.

18. Cf. *The Week in China*, February 9, 1929, p. 107.

13. Cf. *Chinese Economic Bulletin*, August 17, 1929, p. 88-89. Over \$20,000,000 from the customs surplus was appropriated for this purpose from May to September 1929. Cf. *China Monthly Trade Report*, November 1929, p. 9.

14. Cf. *China Monthly Trade Report*, May 1928, p. 16-19.

cation, the *sine qua non* of reconstruction in China.

ARMY LIMITATION AND FINANCIAL UNIFICATION

The Nanking government must be understood as a national organ set up for the convenience of its constituents—a half-dozen virtually independent regional militarists.¹⁹ The government's financial difficulties arise from the fact that it has been trying to administer the whole of China, while its military leader, Chiang Kai-shek, actually controlled only the provinces about Nanking. The armies under the country's various military leaders total approximately 1,600,000 men, and are supported by such revenues as these leaders can lay hands on in their particular districts. In order to be able to institute a fiscal policy adequate to its needs, the Nanking government faced the problem of enforcing a drastic army reduction throughout China, and thus of securing control of the revenues locally appropriated by the sectional commanders. Chiang Kai-shek had the option of arranging a peaceable agreement with the major leaders, or of crushing them by military force. Both methods have been employed alternately, and the critical phases of China's internal politics during the past year can be summarized in terms of these alternations. The Disbandment Conference of January 1929 was followed by the Kwangsi revolt, and the August Disbandment Enforcement Conference by the revolt of Feng Yü-hsiang.

At the January Disbandment Conference, largely owing to the firm stand of Mr. T. V. Soong, a comprehensive plan was evolved whereby the group armies were to be proportionately reduced, and thereupon reorganized into a national army of 500,000 men controlled by a special committee of the chief commanders. In the budget for 1929 proposed by Mr. Soong, the expenditures for this national army were limited to the \$192,000,000 originally set by the economic and financial conferences of June and July 1928. The allotment of \$192,000,000 amounted to 41 per cent of the government's total estimated 1929 revenue of \$457,740,000 and 36 per cent of its estimated gross ex-

penditures of \$507,870,000, leaving a deficit in the national budget of \$50,130,000. This deficit Mr. Soong thought could be cleared up in the following year, provided that army limitation and the unification of finances were achieved. In this connection, the Finance Minister required the sectional leaders to grant five significant demands:

"(1) That all national taxes shall be collected only by the agents of the Ministry of Finance, and the military and local authorities shall be strictly forbidden to detain any portion or impose surtaxes on any pretext whatever.

"(2) That the Ministry of Finance shall have undivided control over the appointment of financial officers, and the administrative policy.

"(3) That provincial and railway subsidies to the different armies shall now be remitted to the national treasury, which shall be responsible for payment of all military expenses.

"(4) That all provincial *gendarmerie* or peace preservation soldiery shall be paid out of provincial revenues.

"(5) That this conference shall definitely apportion the military allowance among the different military units, and prescribe in detail the procedure of payment to each of the units which should be followed by the Ministry of Finance."²⁰

Events showed that the regional commanders would not so easily relinquish control of their armies and revenues. Within two months the central government was at war with the Kwangsi faction. Ironically enough, the sinews of war for this campaign were supplied the Nanking government by the \$50,000,000 troop disbandment loan that had been issued at the close of the January conference. Hopes for army limitation were rudely dispelled, and the proposed budget became a dead letter. Nevertheless, the successful issue of the struggle and the resulting elimination of the Kwangsi faction placed Nanking in virtual control of the armies and revenues of the larger part of the whole of central and south China.

The government now turned its attention to the two powerful military dictators of north China, Marshal Feng Yü-hsiang and Governor Yen Hsi-shan. In July a military crisis was fortunately averted,²¹ and during August a Disbandment Enforcement Conference was held at Nanking. The increased

19. Cf. Foreign Policy Association, *Information Service*, "The Nanking Government," Vol. V, No. 17, p. 304-05.

20. Cf. text of memorandum by T. V. Soong in *The Week in China*, February 9, 1929, p. 103-11.

21. Cf. Foreign Policy Association, *Information Service*, Vol. V, No. 17, cited, p. 306-07.

power wielded by the government seemed to augur well for this second attempt at a peaceable agreement. Substantially the same program as that of the January conference was adopted, with one or two significant changes. Instead of proportionate reduction by independent commanders, a National Disbandment Commission was formed, which was to visit each of the six disbandment districts in turn, with the right to make final decision as to what troops should be disbanded. The question of finances was again uppermost. At the height of the conference Mr. T. V. Soong suddenly tendered his resignation and withdrew to Shanghai. He was persuaded to withdraw his resignation after a few days, but only upon the definite understanding that the Ministry of Finance would control the army reorganization expenditures in accordance with the budget that he had previously advocated at the January conference. The new disbandment program was scheduled to begin early in September, and was to reduce China's soldiery from 1,600,000 to 800,000 within three months. The sum allotted for the reorganized army payments was increased from the previous annual rate of \$192,000,000 to \$226,080,000. The force thus provided for would still be the largest standing army in the world, absorbing over 50 per cent of the Nanking government's estimated budgetary revenues upon completion of financial unification. This conference also adopted a comprehensive scheme for the employment of the disbanded soldiers in government reconstructive enterprises.²² On August 21, a set of regulations governing a Military Disbandment Loan of \$70,000,000 was passed by the Legislative Department toward meeting expenses to be incurred during the period of army reorganization.²³

During the early weeks of September the National Disbandment Commission's activities brought realization of army reorganization for the first time within sight. Throughout China the sectional commanders and lesser generals of the group armies were meeting with the commission to decide on the troops to be disbanded and the units to be reorganized. The Shanghai bankers foresaw the coming storm, however, and re-

fused to subscribe to the \$70,000,000 disbandment loan, which they feared would again be used for purposes of war instead of disbandment. Their fears were well founded. The widespread revolts against Chiang Kai-shek that broke out in September have had the worst possible result—a stalemate. The central government has neither won nor lost, and is still (December 1929) impotent before a combination of the forces of the northern commanders. The advances made during the summer months toward financial unification have been rudely interrupted. Large sums have been squandered that will necessitate further pledging of future revenue in the form of domestic loans. Army limitation has again become a dream, and the budget so strenuously advocated by Mr. T. V. Soong is more than ever a dead letter.

THE BUDGET²⁴

The National Budget Committee of the Nanking government State Council was reorganized in March 1929 into the Financial Advisory Committee with enlarged scope and membership. Although regular meetings of this committee have not been possible owing to the absence from Nanking of most of the members, over six hundred reports on the departmental, provincial, and local budgets of the 1929 fiscal year have been received and considered. Telegrams were sent out in August and September to all the provinces to hasten the preparation of their 1930 budgets for approval of the Central Government. By October 1929 most of the provinces had wired the committee announcing the completion of their new budgets,²⁵ and the reports of Hupeh and Hunan had reached the Central Government. The National Budget of China for 1929 as approved by the Financial Advisory Committee is as follows:²⁶

24. Cf. *China Monthly Trade Report*, October 1929, p. 15-16; also September 1929, p. 11-15.

25. Including Hupeh, Shensi, Honan, Kiangsi, Hopei (Chihli), Jehol, Chekiang, Fukien, Shantung, Kiangsu, Suiyuan, Kwangtung, Kwangsi, Hunan, and Shansi.

26. It is hardly necessary to state that this budget is completely nominal. The government's actual receipts are represented chiefly by the salt and customs revenues, which have largely gone to meet the loan obligations. Domestic loans and the Chekiang and Kiangsu provincial taxes have paid the government's actual running expenses, which bear no relation to the items of expenditure listed in the budget. As originally presented to the January Disbandment Conference by Mr. T. V. Soong, the budget differed slightly in the totals for some of the items, for which cf. *The Week in China*, February 9, 1929, p. 110.

22. Cf. *The Week in China*, August 17, 1929, p. 648-51.

23. Cf. *Kuo Min News Agency* report, August 21, 1929, p. 7-9.

NATIONAL BUDGET FOR 1929

<i>Receipts</i>	
Salt Revenue	\$116,570,000
Customs Revenue (including kerosene and gasoline tax)	192,330,000
<i>Likin</i> (including parcel post tax)	67,280,000
Wine and Tobacco tax	47,040,000
Revenue Stamp tax	12,920,000
Other receipts	12,570,000
	<hr/>
Deficit	\$448,710,000
	59,160,000
	<hr/>
Total	\$507,870,000
<i>Expenditures</i>	
Party (Kuomintang) Expenses	\$ 4,800,000
Administrative Expenses	95,420,000
Military Expenses	192,000,000
Local Allowances (for needy interior provinces of Yunnan, Kweichow, Szechuan, Sinkiang)	41,230,000
Loan Obligations	155,990,000
Other Expenditures	18,430,000
	<hr/>
Total	\$507,870,000

BANKING
AND CURRENCY²⁷

A new Central Bank of China was formally opened at Shanghai by the Nanking government on November 1, 1928. It has a 30-year charter which may be extended by the government, and is administered by a Board of Directors, with the Minister of Finance as governor of the bank. Although the bank is controlled and operated by the Nanking government, both the Board of Directors and the Supervisory Committee consist largely of responsible Chinese business men. The bank is required to keep cash

reserves at 60 per cent and security reserves at 40 per cent of the total note issue, examinations of which are periodically conducted by the Supervisory Committee. By October 31, 1929, thirty-four examinations had been made by the committee and the results made public, showing in each case that the correct reserves were on hand.

On November 18, 1928, the Bank of China and the Bank of Communications were re-organized as semi-official auxiliaries of the Central Bank of China.²⁸ The relative status and special functions of the three banks may be illustrated thus:²⁹

<i>Name</i>	Central Bank of China	Bank of China	Bank of Communications
<i>Nature</i>	Government bank	Semi-official bank of foreign exchange	Semi-official bank for industrial development
<i>Authorized capital</i>	\$20,000,000 Chinese currency, supplied by the government	\$25,000,000 Chinese currency; shares taken up by the government, \$5,000,000	\$10,000,000 Chinese currency; shares subscribed by the government, \$2,000,000
<i>Special privileges and functions</i>	<ol style="list-style-type: none"> 1. To issue bank notes according to the national law governing note issue. 2. To mint and circulate coins of the national currency. 3. To act as government depository and fiscal agent of the government. 4. To act as agent of the national government in floating domestic and foreign loans and in undertaking the service of such loans. 	<ol style="list-style-type: none"> 1. To issue and redeem government bonds abroad and pay interest thereof on behalf of the government. 2. To receive, pay and manage public funds abroad on behalf of the government. 3. To develop or aid towards developing China's foreign trade. 4. To act as part of government treasury. 	<ol style="list-style-type: none"> 1. To issue or redeem loan bonds or debentures and pay interest thereof on behalf of public industrial organs. 2. To handle the revenue or expenditure in connection with communication enterprises. 3. To do such acts as would encourage or promote industrial pursuits. 4. To act as part of government treasury.

The Nanking government forces captured the region about Hankow from the Kwangsi rebels early in April 1929, and by late June the Kwangsi remnants in south China had also been suppressed. Steps to improve the demoralized banking conditions in these places were immediately taken. On April 25 the Hankow branch of the Central Bank of China was formally opened, following the remission of over \$4,000,000 from Shanghai. The Hankow branch of the Bank of Communications also resumed business during April. The Canton branch of the Central Bank of China was partially reorganized in the summer, as a result of large shipments of silver bullion and cash from the central treasury. About \$13,000,000 worth of bank-notes were withdrawn from circulation in Kwangtung province, considerably strengthening the note issues of the Canton Central Bank. The Nanking government during August also turned its attention to banking conditions in the north. The Tsinan branch of the Central Bank of China was formally inaugurated on August 15; and the Mukden branch was opened on September 1. In each case arrangements were made for more adequate security of note issues. The proceeds of a currency reform loan of \$24,000,000 are to be used in reorganizing the provincial bank of Shansi.

While repairs are being made on the large modern Shanghai mint, the Nanking government has kept the smaller mints at Nanking, Hangchow, Canton, and elsewhere in operation during 1929. The Shanghai mint, which is to be the single national mint, was sched-

uled to begin operations early in the year 1930. In the future all dollar coins will be made at this mint, which can turn out from 25 to 30 million silver dollars a month. All silver coins are to be collected from the market and reminted on a uniform model. The coining of small subsidiary pieces will be continued for a time at the Canton mint, as they are much in demand in south China.

The larger aims of the new Central Bank of China were listed by Mr. T. V. Soong at its inauguration as the creation of a national treasury, the stabilization of the money market, and the standardization of the national currency. The acute problem in the various bank reorganizations effected during 1929 has been the need to redeem the depreciated currency with which China has been flooded during the period of civil warfare. But years will be required for the final solution of China's multiform currency problem, which requires the establishment of government control over minting, maintenance of adequate reserves for paper currency, abolition of the tael in favor of the dollar as a unitary basis, and probably the eventual adoption of the gold standard to replace the present silver standard. These problems have been under investigation during the past year by the Kemmerer commission of American financial experts, in consultation with the technical experts attached to the Ministry of Finance. The report of this commission has already been presented and will doubtless form the basis upon which the Chinese government will ultimately reform China's currency system.

COMMUNICATIONS

The greatest obstacle to the genuine unification and to the economic progress of China is its lack of efficient means of communication and transportation. The tradition of the walled city by hindering easy inter-communication prevents cooperation for national purposes based on a common understanding. Great land areas, as in Szechuan province, are still served almost entirely by the wasteful methods of animal and human transport. In all China—with

a territory larger than the United States and a population equivalent to that of Europe—there are hardly 7,000 miles of railways and 20,000 miles of motor roads.³⁰ At the end of 1928 China possessed 87,000 miles of telegraph wires on land, a little over 50 wireless stations, about 100,000 telephones, and slightly less than 400,000 tons of commercial shipping. The excellent system of waterways on which China long depended for freight transportation has measurably

27. Cf. issues of *China Monthly Trade Report* for 1928-1929. For history of previous attempts at currency reform, cf. *Chinese Economic Journal*, April 1929, p. 329-37.

28. Cf. "A Study of the Charters of China's State Bank and its Allied Institutions," *Chinese Economic Journal*, May 1929, p. 411-28.

29. This chart appeared in *China To-day*, a report by the National Associated Chambers of Commerce of China to the Amsterdam Congress of the International Chamber of Commerce, June 29, 1929, p. 57.

30. Compared with 275,000 miles of railways and about 3,000,000 miles of motor roads in the United States.

deteriorated in recent years. The railways have suffered even more largely from the civil strife. During 1929 the Nanking government has taken needed preliminary steps toward making these ravages good. Large-scale plans for future developments in communication facilities have been projected, the completion of which depends on the continued strengthening of the central government.

RAILWAYS³¹

Mr. Sun Fo faced a staggering task when he assumed his position as Minister of Railways in November 1928. The railways were thoroughly disorganized and run down, maintenance-of-way repairs having been neglected for a number of years. Shortage of cars and locomotives was accentuated by Manchuria's retention of the rolling stock carried up to Mukden by Chang Tso-lin on his retreat from Peking in 1928.³² Demoralization was made complete by the exorbitant levies and surtaxes exacted by the military commanders in their various districts. In the face of these obstacles, the Ministry of Railways by August 1929 had established through service on all the ten major government railways radiating from Canton, Nanking, Hankow, Peking, and Mukden.

The Ministry has made this achievement possible by pushing ahead with the reconditioning of the railways under its control, in spite of the year's military disturbances. New equipment at a cost of over \$3,000,000 has been purchased for the Tientsin-Pukow and Shanghai-Nanking lines. The supplies for the latter railway were paid for out of its own earnings, which averaged \$30,000 a day even in 1928. Orders for this equipment have been made through a Purchasing Department set up early in 1929.³³ In July the Ministry accepted a recommendation of its American adviser, Mr. J. J. Mantell, for the employment of eight or ten practical railway operators from abroad to instruct Chinese operators on the various government lines.

31. Cf. issues of *China Monthly Trade Report* for 1929.

32. Altogether 300 locomotives and 4,000 cars belonging to the North China railways have been retained by the Manchurian authorities since June 1928. Most of this rolling stock has been lying idle, and is in need of extensive repairs.

33. Cf. *Chinese Economic Journal*, May 1929, p. 448-53 for text of regulations governing the purchase of materials for Chinese railways. In August the Ministry of Railways took steps to set up a central supply store, which will keep on hand a full stock of railway materials sufficient for all the government railways.

These and similar improvements effected during the year are the 'soundest preliminary to the extension of the present railway system, which is the chief prerequisite for China's industrial development. Two of the most-needed additions—the completion of the unfinished portion of the Canton-Hankow Railway, and the westward extension of the Lunghai Railway—are already under consideration. In June Mr. Sun Fo obtained government sanction for a loan of \$150,000,000 for these two railway additions, the loan to be refunded in four years from the returned portions of the British and Russian shares of the Boxer Indemnity, and the work to be completed by 1932-1934.

By September 1929 Mr. Sun Fo had virtually effected the unification of railway administration under the Ministry of Railways.³⁴ All the lines were running on regular schedules and service was steadily improving, so that conditions on the Chinese government railways were the best that had obtained in some years. There is small reason to doubt that, given unhindered central control and operation, the setbacks of recent years could be overcome and provision made for the payment of the large railway debt of over \$650,000,000, amounting to about a third of China's total national obligations.³⁵

HIGHWAYS³⁶

The construction of modern roads in China is a very recent development. In 1921 less than 100 miles of roads suitable for motor traffic existed in all China, exclusive of those in the foreign concessions and of the long-existing caravan route of 800 miles from Kalgan to Urga in Mongolia. The first big impetus to highway construction was furnished by the road-building programs initiated by the American Red Cross to assist the famine-stricken districts in

34. Officially recognized by regulations governing the organization of the State Railway Administration under the Ministry of Railways issued in September. Cf. *The China Weekly Review*, September 7, 1929, p. 61. The exceptions were the Peking-Suiyuan line controlled by Yen Hsi-shan, and the Peking-Mukden line. A compromise agreement vested nominal control of the Peking-Mukden line in the Ministry of Railways, and the Manchurian authorities were gradually returning the rolling stock removed from the north China railways. The revenue from this line exceeded \$2,000,000 monthly at the end of 1929.

35. Cf. statement by the Minister of Railways, *The China Weekly Review*, March 2, 1929, p. 39. Under relatively peaceful conditions, the profits on the Chinese Government Railways increased from \$26,460,361 in 1916 to \$54,144,348 in 1924.

The large population served makes Chinese railways a rich investment in time of peace; under reasonably efficient management they can be run at a cost of hardly 50 per cent of their operating revenues.

36. Cf. issues of *China Monthly Trade Report* for 1928-1929; cf. also *The China Weekly Review* (New China Edition), October 10, 1928, p. 84-91.

1920. This stimulus caused the formation in May 1921 of the National Good Roads Association, which has endeavored through educational propaganda to encourage the people throughout China to tear down the ancient city walls and build roads. In actual construction, however, the China International Famine Relief Association has accomplished more than any other single organization. In the period 1923-1928 this body administered the expenditure of several million dollars on reclamation, dike, and road construction, while encouraging the local authorities to match the funds expended either with money or an equivalent value in labor and materials. The combination of these efforts has greatly stimulated road construction, which is now being carried on with enthusiasm in practically every province in China. An estimate of the National Good Roads Association in June 1929 indicated 20,973 miles of improved highways in China, with 3,764 miles under construction. Although suitable for motor traffic, about 90 per cent of this mileage consists merely of graded dirt roads. Motor-bus service is rapidly increasing throughout China. On January 1, 1929 preliminary estimates showed about 30,000 motor vehicles in China, the majority of which were in the seaboard ports.

Highway construction has been carried on chiefly with the cooperation of provincial authorities, there having been no effective central government in China during the road-building period since 1920. The southern and central provinces have been most active in the movement. Kwangtung province with Hai Nan Island has 2,000 miles of roads, including in Canton 50 miles of well-paved streets. There are about 900 motor cars operating in Canton, and upward of 2,000 in Kwangtung. The mountainous provinces of southwest China—Yunnan and Kweichow—have partly overcome their isolation by the construction of several hundred miles of motor roads linking them with the neighboring provinces. Szechuan has also emerged from its isolation by the construction of approximately 1,200 miles of highways, radiating from the provincial capital, Chengtu. During the past few years Kwangsi province has constructed 1,500 miles of motor roads, about 15 per cent of

which are macadamized. Over these Kwangsi roads twenty bus companies operate about 300 buses. The provinces of Kiangsu and Chekiang have also been active in road-building. About 200 buses operate out of Hangchow, the capital of Chekiang, on the motor roads of that province. An important surfaced highway linking Hangchow with Nanking has been nearly completed. In Nanking itself the Sun Yat-sen memorial road, running from the river through the city out to the mausoleum on Purple Mountain, was officially opened on April 1, 1929 at the time of the interment of Sun Yat-sen. This spacious boulevard is twelve miles long and 120 feet wide, with macadam base and asphalt surface. Road-building projects of smaller scope are also under way in the north China and Manchurian provinces. Marshal Feng Yü-hsiang is pushing the building of roads in Shensi and Kansu. Thanks to its model governor, Yen Hsi-shan, and to Red Cross relief work, Shansi has more good roads than any other province in China. In Shantung province, Tsinan and Tsingtao, as well as Chefoo, Weihaiwei and Tengchowfu, are joined by good roads. From Peking motor roads radiate as far as 200 miles in all directions.

The Nanking government has encouraged this provincial road-building activity so far as possible. It also assembled at Nanking a representative National Highway Planning Commission,³⁷ which drew up a plan calling for a system of twelve national highways to cover the whole country and link up with Tibet and Mongolia. The provincial highways recently constructed constitute a substantial portion of these lines. Roads will be built of earth to effect communication lines, and macadamizing will be undertaken as additional funds become available. Preliminary estimates indicate that the lines in China proper can be completed with earth roads at an approximate cost of \$70,000,000.

AIRWAYS

Recent Chinese developments in aviation give promise that China may emerge immediately into commercial air transportation on a large scale without waiting to overcome its deficiency in railways and

37. In session at Nanking from February 20 to May 23, 1929, under the auspices of the Ministry of Railways. Cf. *China* (The China Society of America), October 1929, p. 5; also *China Monthly Trade Report*, August 1929, p. 59-61.

highways. As in the West, commercial aviation in China has grown out of aviation for military purposes. Aviation schools at Peking and Mukden during and after the World War trained the first Chinese fliers.³⁸ Other aviation centres have sprung up of late, until during September 1929 a total of 365 aeroplanes were reported operating in China.³⁹ A National Aeronautics Association of China has been formed, which held annual conferences in 1928 and 1929. Commercial aviation first took practical form in China in 1929, owing largely to the interest aroused late in 1928 by the dramatic trans-China flights of General Chang Hui-chang.⁴⁰ Soon after, in March 1929, the Aeronautics Department of the Ministry of Communications announced a comprehensive plan for five trans-China air lines, eventually destined to link up the chief cities of China with those of Tibet, Sinkiang, and Mongolia.⁴¹ The first practical step toward realizing this ambitious scheme was the inauguration of the Wu-Ying Air Mail Service between Shanghai and Nanking on July 8, 1929. This line instituted a freight service on August 12 and a passenger service on August 26, and is now extending its service to Hankow. A more far-reaching arrangement for developing commercial aviation was concluded by the Nanking government with the Curtiss-Wright Corporation of America in April 1929.⁴² The contract stipulated that an air mail service for the Chinese government between Hankow and Canton, Hankow and Shanghai (via Nanking), and Shanghai and Peking was to be established within six months. A successful inaugural flight of the Loening Amphibian Airyacht No. 1 from Shanghai to Hankow was made October 21, 1929. The

American company expected about 35 of these modern planes to be in operation before the end of the year. In addition, the Nanking government has nearly completed negotiations with the *Lufthansa* interests of Germany for a Sino-European air mail, passenger and freight service.

WATERWAYS⁴³

China is well supplied with a network of navigable waterways that serve as valuable means of communication and trade. Ordinary steamers can readily ascend to Hankow on the Yangtze, and in the valley of this river thousands of miles of canals and rivers are available for junks and other small craft. The thousand-mile Grand Canal from Hangchow to Peking was formerly much used, although it is now in need of repair, especially in the section north of the Yangtze. During the past year Conservancy Boards have been set up for the Grand Canal, the Hwai River, Yangtze River, Yellow River, and others, but nothing has been accomplished beyond preliminary surveys. An American engineering adviser of the Nanking government, Mr. Ernest Payson Goodrich, reported favorably on the construction of a deep-water port at Canton. Another important harbor reconstruction project is for Hulutao, on the Gulf of Liaotung, to serve as an outlet for the Chinese railways in Manchuria.

For its oversea trade China is dependent upon foreign shipping. About 1,000 foreign vessels, chiefly British and Japanese, are also engaged in the coastal and inland trade of China, owing to the Inland Navigation Regulations as provided in China's treaties with the foreign powers. The Nanking government is considering measures for the rendition of these inland navigation rights enjoyed by foreign vessels. At present the tonnage of Chinese shipping is quite inadequate to compete with foreign shipping or to handle the country's total inland and coastal trade. Owing to the seizure of its vessels and other losses suffered in the past decade of revolution, the China Merchant's Steam Navigation Company has been going steadily downhill. The Nanking government is attempting to reorganize this chief mercantile marine company of China,

38. For history of the development of aviation in China, cf. *Chinese Economic Journal*, March 1929, p. 241-47.

39. Cf. *China Monthly Trade Report*, October 1929, p. 45. The majority were up-to-date European and American machines, of which 191 were attached to the Mukden government, 73 to the Nanking government, 37 to the Canton Aviation Bureau, 21 to the Shansi Aeronautics School of Yen Hsi-shan, 17 to the Yunnan provincial government, 15 to the Navy at Amoy and Shanghai, 7 to the People's Army of Feng Yü-hsiang at Sianfu, and the remaining 4 to Szechuan province.

40. Known as China's Lindbergh (he used a Ryan monoplane called the "Spirit of Canton"), he is actually Lieutenant Bert Hall, American war ace and adventurer, aviation's first great soldier of fortune, hailing from Higginsville, Missouri. He was formally installed as Chief of the Chinese Air Force in Nanking on September 16, 1929.

41. Cf. *Chinese Economic Bulletin*, March 16, 1929, p. 135-36; also June 1, 1929, p. 274-77.

42. Cf. *The Chinese Social and Political Science Review*, October 1929, Public Documents Supplement, p. 81-91. The American firm is to train Chinese pilots. It has the right to operate passenger and freight air services anywhere in China, and to manufacture aeroplanes and equipment there.

43. Cf. *The China Weekly Review*, November 9, 1929, p. 373-75; also *The China Truth*, November 9 and 16, 1929.

so that it may regain its prosperous status of ten years ago. Other Chinese shipping companies have suffered similar losses and require a similar rehabilitation before China's domestic commerce can be rendered independent of foreign shipping.

POSTS

The Chinese Postal Service is doubtless the most efficient unit in the country's system of communications. The total length of railway mail lines is about 7,000 miles; of steamer lines 30,000 miles; and of courier lines 235,000 miles. Latest statistics show about 2,560 post offices, 9,600 postal agencies, 7,000 rural offices, and 22,000 rural stations. The postal staff in 1926 numbered almost 40,000, of whom 119 were foreigners, with the Chinese gradually taking a full share of the responsible administrative posts. Established officially on March 20, 1896, the Post Office was administered until May 28, 1911, by the Inspector-General of the Customs. It was then placed under the Ministry of Communications and nominally headed by a Chinese Director General, although actually administered by a foreign Co-Director General, usually British or French. In 1928 the Nanking government made the Chinese Director General the substantial head of the Post Office, and reduced the foreign Co-Director General to an advisory position.⁴⁴ This change was re-emphasized on April 1, 1929, when the Nanking authorities replaced English with Chinese as the official language of the Postal Service.

TELEGRAPHS

In 1928 China had 1,105 telegraph offices, about 87,000 miles of land wires and almost no cables. In round numbers 3,738,000 domestic telegrams were transmitted during 1926. The service is slow and inadequate, and the Nanking government is endeavoring to supplement the existing telegraph and cable services with wireless communications for both domestic and foreign use.⁴⁵ China's international telegraphic facilities have been entirely controlled by foreigners.⁴⁶ The fact that the cable agree-

ments with foreign companies on which this control rests expire December 31, 1930 supplies a further impetus for the Nanking government's program of radio development.

Of late rapid progress toward this end has been made. The important interior centres of China are already linked up by 52 short wave stations, which were centralized under the Radio Administration of the Ministry of Communications during August 1929.⁴⁷ Rates for international messages have already been reduced by about half through the effect of a cooperative arrangement between the Chinese Radio Administration and the branch of the Radio Corporation of America located in the Philippine Islands.⁴⁸ Equipment for setting up a Shanghai station capable of direct communication with San Francisco, Berlin, and Paris has recently reached Shanghai. By the summer of 1930 it is expected that this first-class radio central in Shanghai will be regularly transmitting messages to Europe and America.⁴⁹

TELEPHONES⁵⁰

In 1928 there were only about 100,000 telephone instruments in operation in China, but this number has already greatly increased. As in the case of radio, telephonic communication is spreading rapidly over China. Numerous interior Chinese cities are now providing themselves with telephone service. Long-distance telephonic communication has been established between Tientsin and Mukden, Shanghai and Nanking, Canton and Hongkong. Many of the larger Chinese cities are installing up-to-date automatic telephone exchanges. At a cost of \$690,000 (gold) Canton has installed an excellent automatic system, which also serves half a dozen of the suburban centres around Canton. Nanking has also installed an excellent automatic system. In Manchuria, Harbin is extending its automatic system, and Mukden has contracted to have one installed.

44. Cf. *The China Weekly Review*, April 13, 1929, p. 278. Mr. Tollefson, a Norwegian, was appointed Co-Director General by the Ministry of Communications to succeed M. Picard-Destelan, who resigned.

45. For important radio contracts recently entered into by the Nanking government, cf. *The Chinese Social and Political Science Review*, October 1929, Public Documents Supplement, p. 91-116.

46. For cable agreements entered into by the Chinese Telegraph Administration, cf. *China Year Book* (1928), p. 364; for settlement of dispute over the Japanese radio monopoly in China, cf. *China Monthly Trade Report*, November 1929, p. 47.

47. Cf. *China Monthly Trade Report*, September 1929, p. 46. China is to be divided into nine radio districts, each with a central station, and with the main station at Shanghai.

48. As a result, Reuter's long-standing monopoly of foreign news entering China has been broken by the entrance of the United Press and the Associated Press into this field.

49. Cf. *The China Weekly Review*, November 16, 1929, p. 407, 412.

50. Cf. *Chinese Economic Journal*, October 1929, p. 895; also *China Monthly Trade Report*, January 1929, p. 15.

ECONOMIC ACTIVITIES

Numerous activities of the Nanking government are necessarily omitted in this survey. The work of the Ministry of Health and of the Bureau of Statistics deserves especial mention. Many social and philanthropic movements of great importance are also occurring in China, which cannot be treated in this report.^{50a}

AGRICULTURE⁵¹

For centuries the Chinese people have depended upon agriculture for economic support. Even today at least 80 per cent of China's entire population is engaged in rural pursuits. The agriculture that has made China a self-sustaining nation still remains the chief means upon which China can draw to withstand the economic pressure of the West. The principal Chinese agricultural products for domestic consumption are, first, rice and all kinds of grains, and then silk, cotton, tea, and vegetable oils. The chief products exported in large quantities are the soy-bean, with its by-products of oil and bean cakes, and then silk, cotton, tea, and wood oil.

The Nanking government has formulated an ambitious program for agricultural improvement and rural welfare.⁵² China has much to gain from scientific agriculture, despite the acknowledged skill and industry of Chinese farmers. In afforestation, deep plowing, improved implements, seed selection, mineral fertilizers, and animal husbandry notable work has been already accomplished during the past decade through government cooperation with missionary and other institutions of higher learning throughout China. Chinese agriculture

suffers from usurious practices in financing the farming class, and from an inefficient, inadequate marketing system. In this field cooperative societies, the universities, and the government are all helping to provide easier rural credits and improved marketing conditions.⁵³ An increasing number of Chinese experts is being trained, at home and abroad, to carry on the work in scientific agriculture and rural economics. The commissions set up for large-scale conservation and irrigation projects in various parts of the country have already been mentioned.⁵⁴

TRADE⁵⁵

The volume of China's foreign trade has steadily increased in recent years despite the handicap imposed by the country's unsettled conditions. Except in 1864 and for a brief period from 1872 to 1876, however, China's imports have always exceeded its exports. The adverse trade balance thus created has been added to by large imports of silver that began about 1885. This disparity in China's balance of international payments has been largely compensated by China's invisible imports consisting of remittances from Chinese overseas, expenditures on foreign missionary enterprises and diplomatic establishments in China, and sums expended by tourists. Improvement in China's system of communications would greatly stimulate its export trade. The deficiency of transportation facilities within China prevents the export of large quantities of available Chinese produce which would readily be taken by the outside world. The following table summarizes the value in Haikwan taels of China's total foreign trade since the advent of the Republic:⁵⁶

CHINA'S FOREIGN TRADE

<i>Year</i>	<i>Gold Value of Tael</i>	<i>Net Imports</i>	<i>Direct Exports</i>	<i>Total</i>	<i>Excess of Imports</i>
1912	\$.74	473,097,031	370,520,403	843,617,434	102,576,628
1913	.73	570,162,557	403,305,546	973,468,103	166,857,011
1914	.67	569,241,382	356,226,629	925,468,011	212,014,555
1915	.62	454,475,719	418,861,164	873,336,883	35,614,555
1916	.79	516,406,995	481,797,366	998,204,361	34,609,629
1917	1.03	549,518,774	462,931,630	1,012,450,404	86,587,144
1918	1.26	554,893,082	485,883,031	1,040,776,113	69,010,051
1919	1.39	646,997,681	630,809,411	1,277,807,092	16,188,269
1920	1.24	762,250,230	541,631,300	1,303,881,530	220,618,930
1921	.76	906,122,439	601,255,537	1,507,377,976	304,866,902
1922	.83	945,049,650	654,891,933	1,599,941,583	290,157,717
1923	.80	923,402,887	752,917,416	1,676,320,303	170,485,471
1924	.81	1,018,210,677	771,784,468	1,789,995,145	246,426,209
1925	.84	947,864,944	776,352,937	1,724,217,881	171,512,007
1926	.76	1,124,221,253	864,294,771	1,988,516,024	259,926,482
1927	.69	1,012,931,624	918,619,662	1,931,551,286	94,311,962
1928	.71	1,195,969,271	991,354,988	2,187,324,259	204,614,283

A considerable increase took place in China's import and export trade for the first nine months of 1929 over the corresponding

periods of 1927 and 1928. The following table summarizes in round figures the trade for the first three quarters of each year:⁵⁷

COMPARATIVE TRADE INCREASE, 1927-1929

(In Haikwan taels)

	Year	Net Import	Direct Export	Total
Jan. to Oct.	1927	520,000,000	382,700,000	902,700,000
"	" 1928	647,000,000	397,000,000	1,044,000,000
"	" 1929	684,000,000	410,000,000	1,094,000,000

The annexed table⁵⁸ gives the distribution of China's foreign trade among the chief countries trading with China. The marked decline in the importance of Hongkong as a

distributing centre, the decline in the relative importance of Great Britain, and the great increases in the relative importance of Japan and the United States should be noted.

DISTRIBUTION OF CHINA'S TRADE

IMPORTS

(Percentage of Total)

From	1890	1900	1913	1924	1925	1926	1927	1928
United States	2.9	7.9	6.0	18.4	14.8	16.4	16.1	17.2
Japan and Formosa ..	5.8	12.0	20.4	22.6	31.1	29.4	28.4	26.7
United Kingdom	19.0	21.0	15.5	12.1	9.7	10.2	7.3	9.5
Hong Kong	56.7	44.0	29.3	23.5	18.3	10.9	20.6	18.9

EXPORTS

(Percentage of Total)

To	1890	1900	1913	1924	1925	1926	1927	1928
United States	9.4	9.3	9.3	13.1	18.4	17.4	13.3	12.8
Japan and Formosa ..	5.5	10.7	16.3	26.1	24.0	24.5	22.7	23.0
United Kingdom	15.0	5.9	4.1	6.5	6.1	6.5	6.3	6.1
Hong Kong	37.7	40.0	29.0	22.4	14.8	10.9	18.5	18.3

INDUSTRY AND LABOR⁵⁹

The process of industrialization, with large-scale manufacturing carried on by power-driven machinery, did not begin in China until late in the nineties. It has been confined primarily to cotton spinning and weaving, silk reeling, shipbuilding, flour milling, iron and steel manufactures, electric light and power supply, oil pressing, and the making of matches. The process has also been introduced to a lesser degree in other manufactures, such as artificial silk weaving; carpet weaving; hosiery knitting, dyeing and bleaching; machine-making; pottery and glass; paper; soap and candles; tobacco; tea; salt and alkali refining; and printing. Although the relative extent of this process of industrialization is still small, its effects are evident in the replacement of small workshops by large fac-

tories, the substitution of machine for handicraft technique, and the rise of a class of wage-earners in place of the independent craftsmen.⁶⁰ The transformation of the old Chinese guilds into employers' associations on the one hand, and into trade unions on the other, has led to the growth of a labor movement and the beginnings of a class struggle. Industrial disputes and the resort to strikes and lockouts have become recurring phenomena of Chinese economic life. The conditions under which women and children work in the factories have begun to engage the attention of social reformers. The increasing cost of living has raised the issue of a fair wage and income, and stimu-

50a. For discussion of present social movements in China, cf. article by Dr. J. S. Burgess in *Proceedings of the National Conference of Social Work* for 1929.

51. Cf. report to the Amsterdam Congress of the International Chamber of Commerce, *op. cit.*, p. 1-12.

52. Cf. *Ibid.*, p. 9, for detailed statement of the official program. An important National Agricultural Conference was held at Nanking in December 1929 to consider methods for the aid of agriculture and for the more equitable distribution of the food supply.

53. Cf. Paul C. Hsu, "Rural Co-operative Societies," *The China Weekly Review*, (New China Edition), October 10, 1928, p. 180-82.

54. Cf. p. 440.

55. Cf. C. F. Remer, *The Foreign Trade of China*.

56. Cf. *China Monthly Trade Report*, May 1929, p. 43. The Haikwan tael approximates seventy-five cents gold. Exchange and price fluctuations and many other factors must be taken into account in the interpretation of these customs returns.

57. Cf. *Ibid.*, November 1929, p. 4.

58. Cf. U. S. Commerce Yearbook (1929), Vol. II, p. 167; report to the Amsterdam Congress of the International Chamber of Commerce, *op. cit.*, p. 17; and Masnoske Odagiri, *Japanese Investments in China*, p. 1. At present 13 per cent would seem to be the average share of the United States in China's export trade. The large increase of United States imports from China in 1925 and 1926 is accounted for by the Chinese boycott of Hongkong during those years. Hongkong acts as a distributing centre for several countries trading with China; its large share should not be counted as British trade. If America's trade with China through Hongkong was counted, the share of the United States would be much higher.

59. An *Information Service* report on Labor and Industry in the Orient is planned for a future issue.

60. The increasing use of cheaper Western goods throughout China has added to the havoc wrought upon Chinese home industries and the guilds. Dispossessed artisans and peasant handworkers swell the cityward movement of the population, which in turn creates a difficult housing problem in many urban centres.

lated investigation of the family budgets of the working class. Labor legislation, formerly unheard of, has now become an integral part of governmental policy.⁶¹

The Ministry of Industry, Commerce and Labor of the Nanking government has formulated a comprehensive program for China's industrial development.⁶² Certain achievements in this field should be noted. A new trade-mark law has been promulgated which for the first time provides adequate protection to foreign trade-marks in China. A factory law has been proposed which strikes at child labor and attempts to guarantee an 8-hour day.⁶³ A labor union law, prescribing detailed regulations for the organization and activities of labor unions, has been passed.⁶⁴ Other measures governing chambers of commerce, business firms, cooperative stores, arbitration of industrial disputes, standardization of weights and measures, patent and insurance laws are being formulated by the Ministry of Industry

in consultation with a committee of lawyers, merchants and industrial leaders. The Ministry is also making a comprehensive compilation of commercial and industrial statistics. In addition, the Ministry has endeavored to popularize Chinese manufactured goods by means of industrial expositions. At the end of 1928 a large industrial exhibit was held at Shanghai. Fifteen different provinces participated, and there was an average daily attendance of 20,000 paid admissions. This initial success led to other similar exhibits. An even more ambitious exposition of Chinese products was formally opened at Hangchow on June 6, 1929, after eight months' preparation, involving an expenditure of over \$400,000. The total number of exhibits at the Hangchow Exposition was roughly estimated at 20,000—covering industry, agriculture, education, health-promotion, art, and other phases of Chinese life, with a section for foreign exhibits as well.

EDUCATION

Education in China today may be broadly classed under two heads, covering on the one hand the national school system and on the other the mass education movement. The new national school system has been created practically within the present generation. The still more recent mass education movement is designed to overcome the extensive illiteracy among the Chinese peasants.

China's traditional system of education has been a strictly literary training in the Confucian classics. The teaching of Western subjects was not effectively adopted by the government on a large scale until after 1900, although introduced at a much earlier date. During the early years of this century thousands of Chinese students went to Japan, and the new educational system as first set up in China partook of the bureau-

cratic nature of the European systems Japan had imitated. Of late, the study of American educational practice and the visits of leading American educators have caused the United States to usurp the place formerly held by Japan in Chinese education. Private educational enterprise, mostly under missionary auspices, has also exercised a considerable influence over the progress of the new education in China. The old Confucian education, although relegated to the background by these newer developments, still persists in considerable strength throughout most of China.

The adequacy of China's modern system of education cannot be accurately assessed. No statistics on education in China can be wholly relied upon, although it is safe to assert that there has been a rapid increase of late in modern schools. A fairly careful statistical survey in 1922-1923 listed 178,972 modern schools of all grades with 6,819,486 students.⁶⁵ Of these the elementary students comprised 6,601,802, the secondary 182,804, and the college and univer-

61. This paragraph is adapted from *Industrialization in China*, p. 1-2, a preliminary report to the research committee of the Institute of Pacific Relations prepared by Dr. Franklin L. Ho and Dr. H. D. Fong.

62. Cf. especially article by the Minister of Industry, Dr. H. H. Kung, in *The China Weekly Review* (New China Edition), October 10, 1928, p. 12-13.

63. Cf. *Chinese Economic Journal*, March 1929, p. 268-72.

64. Cf. *Ibid.*, November 1929, p. 1006-16. The expressed purpose of the Nanking government is to act as the arbiter between capital and labor, allowing neither to gain undue advantage over the other. In this law the government exercises an effective supervision over labor organizations. The radical trade union organization in China, known as the All-China Labor Federation, which is secretly supported by the masses of Chinese workers, has been "reorganized" and driven underground by the Nanking government.

65. Cf. *Bulletins on Chinese Education*, 1923. The compilers of this survey considered that at least an equal number of students were enrolled in the old-fashioned Confucian schools. To this again must be added the students in schools conducted by the Japanese, and by Mohammedans, Buddhists, and other private groups.

sity 34,880. These figures include 214,264 students in 7,382 Protestant mission schools. They do not include an approximate 150,000 students in about 3,000 Roman Catholic schools.

Quite recently Mr. Y. W. Wong,⁶⁶ editor-in-chief of the Commercial Press, which supplies from 60 to 70 per cent of the modern text-books used in Chinese schools, stated that the sale of all primary and secondary textbooks had practically doubled between 1918 and 1928. On the basis of the total number of modern textbooks sold during 1928, Mr. Wong estimated that approximately 12,000,000 Chinese students were enrolled in all modern schools that year. Taking all types of schools into account, the largest possible number of Chinese students at present would be 20,000,000.⁶⁷ This would mean that of the commonly accepted Chinese population of 400,000,000 about 5 per cent would be enrolled in school at any given time as compared with almost 15 per cent in Japan and over 25 per cent in the United States.

RECENT POLICIES

For the old Peking Ministry of Education the Nationalists at the outset substituted a National University at Nanking, which assumed the double function of education and administration.⁶⁸ On the one hand the National University provided facilities for corporate research in the arts and sciences, and on the other it supervised the general administration of public education. In the same way the provinces were to be divided into university districts, in which the District University would supervise the lower schools and support as many different colleges as local conditions warranted. District universities were actually set up in Chekiang and Kiangsu provinces, and later in Chihli, but as opposition to its extreme centralization developed the whole scheme was given up at the Kuomintang Congress in March 1929. A Ministry of Education, which allows a considerable measure of provincial autonomy and interests itself in

popular education, has now taken the place of the National University. To offset this popular concession, the government has founded an Institute of Scientific Research in Nanking, with a large appropriation, and with branches in the provinces.

As the government school system has become more adequate to meet the educational needs of China, the demand for bringing private education (including Christian, Confucian, Mohammedan, Buddhist and Japanese schools) under government auspices has become more insistent. The nationalistic spirit aroused during the revolutionary years 1926-1927 developed an attack that threatened to engulf Christian educational enterprise in China. On December 20, 1927 the Nanking government issued a set of regulations requiring that all private schools should register with the government educational authorities.⁶⁹ It has continued to press this demand, although it has not gone to the extent of closing the schools which refuse to register.⁷⁰ The upheaval has acted as a stimulus to the movement already on foot to consolidate the overlapping missionary educational institutions in China.⁷¹ The important place and contribution of the private school (if registered) within the Chinese educational system is recognized by the majority of Chinese educators.

The Magna Carta of the Chinese Revolution, the Three People's Principles⁷² of Dr. Sun Yat-sen, has given rise to a significant controversy within the field of Chinese education. It revolves around the attempt of the Nanking government to enforce the teaching of a course in the Three People's Principles in all primary, secondary, and higher schools.⁷³ The National Education Conference, held at Nanking in May 1928, recommended that a liberal attitude be

69. Elaborated in regulations issued February 6, 1928, for which cf. *Educational Review*, April 1928, p. 197-200.

70. Most Protestant mission schools have registered or are preparing to register. The critical requirements are (1) the school administration must be vested in Chinese hands, with a majority of Chinese on the Board of Directors and with a Chinese president or principal; (2) religious services and courses must be voluntary.

71. For important developments along this line taking place in Protestant missionary education in China, cf. *Educational Review*, July 1929, p. 325-26.

72. Roughly translated as Nationalism, Democracy, and Socialism.

73. Cf. especially report by Dr. C. S. Miao and Rev. Frank W. Price in *Educational Review* for October 1929 and January 1930. A teacher approved by the local Kuomintang organization must give the course in Dr. Sun's writings, and textbooks must also be approved. In addition, Dr. Sun's picture must be displayed in all schools, and a weekly memorial service of a few minutes held the first period of each Monday to pay respect to his memory.

66. Interviewed by Mr. Cyrus H. Peake, whose book on *Modern Education and the Chinese Revolution* will appear this year.

67. It must be borne in mind that the vast majority of these students do not get beyond the first year or two of lower primary school.

68. Cf. *The China Weekly Review*, September 29, 1928, p. 156.

adopted toward this requirement, and that the term "Partisanized Education" should be replaced by "Education on the basis of the Three Principles." This was disapproved by the National Kuomintang Congress, meeting in March 1929. Among Chinese educators wide protest has been aroused against a narrow view of party education. These leaders hold that Dr. Sun's ideas and spirit should be followed to the extent of nationalizing, democratizing, and socializing Chinese education. They wish to develop an educational philosophy, and not merely add a course to the curriculum. Above all they feel that education on such a basis should have no religious significance, should not aim to make party members, and should not be limited to Dr. Sun's writings. The general tendency in Chinese schools is toward this wider interpretation of party education. Some look on it as a course in civics; others find that the issues raised are discussed more discriminatingly and effectively in courses on sociology, economics, and political science. Many of the ideas and methods of this party education are transitory, and will be superseded when conditions become more settled.⁷⁴

Since the coming into power of the moderates at Nanking in 1927, there has been a distinct trend toward the restriction and control of the revolutionary aspects of the student movement by the educational authorities and by the government. There is also a tendency to discourage student party branches within the schools, where they have proved extremely difficult to control.

The Ministry of Education issued regulations in March 1929 requiring military training in all senior middle schools and colleges. All junior middle schools are, moreover, expected to organize troops of "Party" Boy Scouts. It remains to be seen how strictly these regulations will be enforced. Few private schools have complied with them, and several government schools already show a waning enthusiasm in their required military program.⁷⁵

74. Cf. *Ibid.*, October 1929, p. 372.

75. Cf. *Ibid.*, p. 374.

MASS EDUCATION⁷⁶

The modern mass education movement is a direct outgrowth of the strides taken in the past decade toward making the Chinese spoken language the written language of China as well. This most important phase of China's literary revolution has caused the classical language to be superseded by a written form of the vernacular, stimulating the growth of an active native press and bringing for the first time within the bounds of possibility the chance to stamp out peasant illiteracy.

This possibility was seized upon by Mr. Y. C. James Yen. After years of experiment in perfecting four textbooks using the commonest 1,300 Chinese characters, Mr. Yen and his colleagues inaugurated their mass education movement at Changsha. It was well received and has spread rapidly, enrolling thousands of volunteer teachers and aids, and supporting itself on the contributions and efforts of the peasants themselves.⁷⁷ In its early stages the movement was invaluable in popularizing education and in developing a teaching technique.

After a few years of this work in various places, the movement sponsored by Mr. Yen restricted its operations to a region called Tingsien not far from Peking. Here, in one of the 1,835 typical county units of which China proper is composed, the objective was enlarged to include the whole problem of rural improvement, building on the materials at hand among the 400,000 peasantry in the hamlets of Tingsien. Success in this project will mean that Tingsien will become a model for the other 1,834 counties of China. In this light, the quiet and almost unnoticed work at Tingsien embodies in itself the profoundest implications for a radical reconstruction of Chinese society.

76. Cf. article in *Asia* (February 1929) by Mr. Yen; articles in *The Week in China*, June 23 and 30, 1928; also article by Dr. James T. Shotwell in the *New York Herald Tribune Magazine*, January 12, 1930.

77. About 2,000,000 is usually given as the number now enrolled in these schools. The total number who have learned to read has been placed as high as 7,000,000. Mr. Wong of the Commercial Press states that 750,000 sets of textbooks and 2,000,000 pieces of supplementary literature were sold between 1924 and 1928. On this basis he estimates that some 500,000 completed the course and 250,000 continued to read afterwards.